

**SUMMARY:** Update on forbearance policy for Minnesota flooding.

**Dear Guaranty Agency Director:**

On April 17, we notified you that President Clinton had designated parts of Minnesota to be disaster areas because of severe winter weather and flooding that began in those areas on or about March 21. Northstar Guaratee, Inc., recently has notified us that the U.S. Postal Service had exceptional difficulty in being able to pick up or deliver mail in seven counties in Minnesota (CLAY, KITTSON, MARSHALL, NORMAN, PENNINGTON, POLK, and WILKIN counties.) Northstar asked the Department to permit the same liberalized forbearance policy that was authorized for the six counties in North Dakota that experienced similar mail pickup/delivery problems.

To provide additional assistance to borrowers who reside in the seven Minnesota counties listed above, we have modified our disaster forbearance policy by allowing loan holders to grant an administrative forbearance to borrowers without the requirement that the borrower contact the loan holder to request the forbearance. We are taking that action because the severity and extent of the flooding in parts of Minnesota warrants that modification. The modified forbearance policy applies only to the areas in Minnesota in which the U.S. Postal Service has been unable to pick up or deliver mail.

Loan Holders may administratively grant a 3-month forbearance to borrowers who reside in the specified Minnesota counties, retroactive to March 21, without an actual request from the borrower. After the 3-month disaster forbearance period has elapsed and normal delivery of mail resumes, the Department encourages loan holders to grant discretionary forbearances under 34 CFR 682.211(c) to those borrowers who still need assistance.

In our April 17 letter to you, we notified you of the 47 counties in Minnesota that the President had declared to be disaster areas because of severe flooding that generally began in those areas on or

about March 21. The Federal Emergency Management Agency (FEMA) has declared an additional 8 counties in Minnesota to be disaster areas because of this severe flooding. The following list of counties reflects the information we have obtained from FEMA as of the date of this letter, with the newly added counties underlined (CAPITALIZED on the BBS):

MINNESOTA: Aitkin, Anoka, Becker, Benton, Big Stone, Blue Earth, Brown, Carver, CASS, Chippewa, Clay, CLEARWATER, Dakota, DOUGLAS, Goodhue, Grant, Hennepin, Houston, Kandiyohi, Kittson, Lac Qui Parle, Lake of the Woods, Le Sueur, Lincoln, Mahanomen, Marshall, MCLEOD, Morrison, Nicollet, Norman, OTTER TAIL, Pennington, Polk, POPE, Ramsey, Red Lake, Redwood, Renville, Roseau, Scott, Sherburne, Sibley, St. Louis, Stearns, Stevens, Swift, TODD, Traverse, Wabasha, WADENA, Washington, Wilkin, Winona, Wright, and Yellow Medicine.

For borrower-initiated 90-day forbearances under the guidelines first outlined in the January 14, 1997 "Dear Guaranty Agency Director" letter, the March 21 date may be used retroactively. Lenders and guaranty agencies may also grant a borrower-initiated 90-day forbearance on or after the date of this letter if the lender or guarantor believes the borrower needs one. We will notify you if additional areas in Minnesota or other states are designated by the President or FEMA. Lenders and guaranty agencies may contact the Department's toll-free number at 1-800-433-7327, Monday through Friday from 9:00 a.m. to 5:00 p.m. EST for further updates. This letter has also been sent to each regional office of the Department, plus the National Council of Higher Education Loan Programs, Inc., the Consumer Bankers Association, and the National Association of Student Financial Aid Administrators.

Sincerely,

Pamela A. Moran  
Chief, Loans Branch  
Policy Development Division  
Student Financial Assistance Programs

\*\*\*\*\*